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**House of Representatives**

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POSTAL REGULATORY  
COMMISSION  
OFFICE OF THE SECRETARY

March 20, 2017

The Honorable Robert Taub  
Chairman  
Postal Regulatory Commission  
901 New York Avenue, NW  
Suite 200  
Washington, DC 20268

Dear Mr. Chairman:

As the Government Accountability Office (GAO) reported in in 2003, the practice of postal worksharing involves “mailers preparing, barcoding, sorting, or transporting mail to qualify for reduced postage rates.”<sup>1</sup> The worksharing program helps ensure that mail processing work is performed by the least cost provider: providing value to both the United States Postal Service and the mailing industry.

Since the worksharing program’s foundation in the 1971, it has grown into an invaluable public-private partnership for the Postal Service, and one that is still growing.<sup>2</sup> In 2003, GAO also reported that 74 percent of domestic mail volume in 2002 was workshared;<sup>3</sup> by 2015, the Postal Service Office of Inspector General reported that 85 percent of market dominant mail volume was workshared.<sup>4</sup>

Prior to 2006, the Postal Service operated under a mandate to “break even” on overall cost and revenue. The Postal Service had no statutory requirements governing the specifics of how high, or low, to set discounts relative to “avoided costs” of worksharing. However, the Postal Accountability and Enhancement Act of 2006 (PAEA)<sup>5</sup> established a requirement preventing the Postal Service from offering workshare discounts that exceed avoided costs, while still allowing the Postal Service to offer workshare discounts that are below avoided costs.<sup>6</sup>

<sup>1</sup> U.S. Gov’t Accountability Office, *U.S. Postal Service: A Primer on Postal Worksharing* (July 2003) (GAO-03-927) at 3.

<sup>2</sup> *Id.* at 25.

<sup>3</sup> *Id.*

<sup>4</sup> U.S. Postal Service, Office of Inspector General, *Workshare Discounts for Automated Mail Processing* (June 8, 2015) (CP-AR-15-002) at 9.

<sup>5</sup> P.L. 109-435.

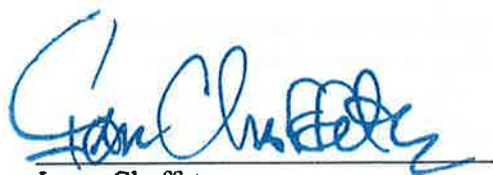
<sup>6</sup> 39 USC § 3622(e)(2).

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While the Postal Service should not lose money when offering workshare discounts, setting discounts below avoided costs discourages the mailing industry from performing work more cost-effectively than the Postal Service. Given the financial challenges faced by both the Postal Service and the wider mailing industry, it would be beneficial to both the Postal Service and the mailing industry for worksharing discounts to be set equal to avoided costs. Accordingly, we were encouraged to see the Commission signal that it recognizes the value of a "soft floor" in the value of worksharing discounts as a way to eliminate mail processing inefficiencies in your most recent "section 701" report to Congress on the effectiveness of postal laws.<sup>7</sup>

We write as the Commission is evaluating the worksharing program as part of your statutorily mandated comprehensive 10-year review of the overall ratemaking system established under PAEA.<sup>8</sup> As the Commission performs its evaluation, we request that it use its existing authority under section 3622 of title 39, United States Code, to require that workshare discounts be set, to the maximum extent practical, at avoided costs to the Postal Service.

Sincerely,



Jason Chaffetz  
Chairman



Mark Meadows  
Chairman  
Subcommittee on Government Operations

cc: The Honorable Elijah E. Cummings, Ranking Minority Member

The Honorable Gerald E. Connolly, Ranking Minority Member  
Subcommittee on Government Operations

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<sup>7</sup> Postal Regulatory Comm'n, *Section 701 Report: Analysis of the Postal Accountability and Enhancement Act of 2006*, (Nov. 14, 2016) at 10.

<sup>8</sup> Press Release, Postal Regulatory Comm'n, *PRC Commences First Broad Review of Postal Ratemaking System* (Dec. 20, 2016).